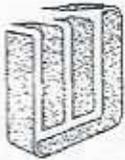


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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

*Doreen E. Duff*  
EXECUTIVE SECRETARY

February 25, 1992

To: Board of Directors (Water Problems Committee--Action)  
From: General Manager  
Subject: Adjustments Under the Incremental Interruption and  
Conservation Plan

Report

Metropolitan now has over one year of experience under the Incremental Interruption and Conservation Plan (IICP) and, while the program has achieved its objectives reasonably well, modifications in the administration of the program to allow more efficient processing of billing are appropriate. Currently, agencies are allowed to apply for adjustments to their monthly targets for growth, loss of local supply, conservation credits, and reclaimed water credits. No time limit has been placed on agencies to apply for these adjustments, therefore an agency is still able to make adjustments for February of 1991. Such retroactive adjustments have placed a heavy burden on Metropolitan's water accounting and invoicing system.

This letter proposes that effective April 1, 1992, an agency will have 60 days from the end of the month to apply for an adjustment to its monthly target under the IICP. In addition, requests for modifications to approved adjustments will not be accepted more than 60 days after the end of the water year in which the adjustment is to occur.

It is further proposed that the deadline for any requests for reallocations of scheduled base year deliveries or transfers of discretionary pool water to the scheduled nonfirm base will be May 31, 1992 for this water year. In subsequent years, the deadline for any requests for reallocations of scheduled base year deliveries or transfers of discretionary pool water to the scheduled nonfirm base will be 60 days after the start of the water year.

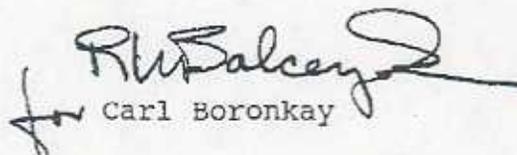
A summary of the modified Administrative Procedures for the IICP is attached as a quick reference guide. It is staff's intention to recommend inclusion of the Administrative Procedures in Metropolitan's Administrative Code pending the final report of the Revenue Design Study.

Board Committee Assignments

This letter was referred to the Water Problems Committee for information pursuant to its authority to study, advise and make recommendations for the conditions regarding sales and exchanges of water pursuant to Administrative Code Section 2481(c).

Recommendation

That the Board authorize the General Manager to modify the IICP to include a definite time period for applying for adjustments under the IICP as described in this letter.

  
for Carl Boronkay

NT:vb

Attachment

INCREMENTAL INTERRUPTION AND CONSERVATION PLAN  
Administrative Procedures Using Base Year 1989-1990

Introduction

The Incremental Interruption and Conservation Plan (IICP) is designed to encourage member public agencies to utilize water held in local groundwater and surface storage reserves and promote consumer water conservation to reduce demands on imported sources during droughts. Under the program, Metropolitan assigns each member public agency a monthly scheduled target quantity of water and an annual discretionary pool based on the total amount of water purchased from Metropolitan in fiscal year 1989-1990. This is referred to as the base year. If the scheduled target quantity is exceeded, agencies must pay a disincentive charge for the amount of water utilized over target quantity plus the applicable service rate. The annual discretionary pool will be managed at the discretion of the General Manager. The program is implemented in stages, each stage progressively reducing the target quantities and discretionary pools for each member public agency. Metropolitan's Board of Directors determines the appropriate stage.

GUIDELINES

SCHEDULED TARGET QUANTITIES

Scheduled target quantities are established for member agencies based upon the amount of water purchased from Metropolitan in the corresponding month of the base year. To determine member agency scheduled targets, member agency deliveries in the base year are categorized into firm service and non-firm service depending upon the service classes taken in the base year (Noninterruptible Service, Interruptible Service and Seasonal Storage Service).

Non-firm Service

- Agricultural
- Seawater Barrier

Firm Service

- All Noninterruptible Service
- Seasonal Storage Service delivered in the winter period of the base year and produced from storage in the summer of the base year.

Once the deliveries have been categorized as firm service or non-firm service, proportional reductions are then applied to each category; non-firm service is reduced by a greater proportion than firm service. The percentage by which each category of service is to be reduced is determined by which stage of the IICP is in effect. The following table specifies the percentages by which firm and non-firm service are reduced in determining monthly target quantities for the member agencies.

Reductions from Base Year

Stage	Reduction in Non-Firm Deliveries	Plus Conservation of Firm Deliveries
I	Voluntary	Goal 10%
II	20%	5%
III	30%	10%
IV	40%	15%
V	50%	20%
VI	90%	30%

The monthly target quantity for the member agency is the arithmetic sum of the proportionally reduced firm and non-firm usage.

DISCRETIONARY POOL

The discretionary pools are established for member agencies based upon deliveries normally made to storage in the base year for:

- Direct Groundwater Replenishment
- In-lieu Groundwater Replenishment
- Long-Term Seasonal Storage
- Reservoir Storage

Water is available from the discretionary pool exclusively for storage in member agency facilities for use by the agency from storage during periods when discretionary pool water is not available. This pool is managed at the discretion of the General Manager and the delivery goal is derived by the stage of the IICP in effect such that discretionary pool deliveries are reduced in the same manner as the non-firm service. A reasonable variance in the annual objective is allowed, and in fact, is likely since deliveries from this pool are used to balance supply versus demand during periods of fluctuations in supply. Discretionary pool water may not be available to all agencies at all times.

ADJUSTMENTS

Adjustments will be made to the scheduled target quantities and the discretionary pool to reflect population growth, changes in local water supplies, conservation and reclamation. The following scenarios qualify for adjustments.

- (A) Loss of Local Water Supply - adjustments to the target quantities and the discretionary pool will be recommended if:
1. A well, reclamation plant, aqueduct, reservoir, pipeline fails
  2. There is less surface water because of drought.
  3. Court order, regulatory order, or negotiated agreement limits the use of local supplies.
  4. A decreasing groundwater table where the basin does not readily lend itself to replenishment of imported water and has historically relied solely on the infiltration of natural runoff.

5. No adjustment would be made to account for routine or elective maintenance.

(B) Conservation - adjustments will be recommended if an agency uses less water because of a significant conservation effort that occurred in the base year consisting of:

1. A mandatory water conservation program.
2. A major water management program with demonstrated results.
3. Participation in the Drought Action Plan '90 during the month of June of 1990 where a 5 percent voluntary reduction in demands was rewarded.
4. Municipal and Industrial plumbing retrofits that resulted in verifiable monthly conservation.

(C) Growth and Development - agencies' target quantities and discretionary pool will be adjusted for growth based on:

1. The number of new service connections.
2. A demonstrated change in the mix of service connections toward larger sized connections.
3. The establishment or expansion of a major industrial water user after the base year.
4. State Department of Finance population estimates provided that the member agency service area corresponds to the census tracts used by the state.

(D) Reclamation Water Projects - an agency which operates a reclamation plant with a project cost that is greater than Metropolitan's treated noninterruptible water rate in the base year (\$230.00) and clearly replaces a potential use of Metropolitan water and not merely a method of disposal is eligible for an increase in firm service. The increase would be equal to the overall reduction percentage in the applicable stage of IICP, not to exceed 31 percent. However, the adjusted IICP target quantity shall not exceed 90 percent of the base month.

- (E) Reallocation - a rescheduling of base-year deliveries of Metropolitan water is acceptable to meet the agency's operational needs. The adjustments would reflect changes in monthly target quantities, but make no change in the annual sum of the targets.
- (F) Transfer from Discretionary Pool to Scheduled Quantities - If rescheduling will not meet the needs of the agency, it may request a transfer of base year deliveries from the discretionary pool to the nonfirm scheduled base-year quantities. This transfer will be approved for in-lieu groundwater replenishment, reservoir storage, and seasonal storage service taken in the base year. Water taken as direct groundwater spreading in the base year can only be transferred in special circumstances. The transferred water will be reapportioned monthly and is subject to the IICP stage in effect.

To apply for an adjustment, a request with proper documentation should be submitted for approval to Metropolitan. Standardized forms have been developed to assist agencies requesting adjustments. Whenever possible, these forms should be utilized by agencies requesting adjustments.

An agency has sixty days from the end of the month to apply for an adjustment to its monthly target quantity. In addition modifications to approved adjustments will not be accepted sixty days after the end of the water year in which adjustments are to occur. The deadline for any requests for reallocations of scheduled base year deliveries or transfers of discretionary pool water to the scheduled nonfirm base will be sixty days after the start of the water year. Any member public agency can seek reconsideration by Metropolitan's Board of Directors of any staff determinations regarding adjustments, reallocations or transfers to the base year and target quantities.

#### WATER RATES

The water rate for the scheduled target quantities is the noninterruptible rate at the time of delivery except for short-term seasonal storage. When the General Manager declares seasonal storage service available, any water delivered under this program will be assessed at the seasonal storage rates.

The rate for the discretionary pool is the seasonal storage rate. If the discretionary pool water is transferred to the scheduled target quantity water, the rate will change to the noninterruptible.

DISINCENTIVE CHARGE

A disincentive charge of twice the noninterruptible water rate (currently \$444 per acre-foot) is applied to a member agency that does not meet its obligation to maintain a demand below the scheduled target quantity. The under-delivery of discretionary pool water cannot be used to offset an overuse of scheduled targets. The disincentive applies only for Stages II through VI of the IICP and to deliveries from Metropolitan, not total water usage. The overuse penalties do not apply to the discretionary pool.

ACCOUNTING AND RECONCILIATION

Although disincentive charges are levied against an agency in any month in which the agency's water usage exceeds its IICP target, agencies are allowed to offset overuse by extra conservation in other months through an annual reconciliation process. The reconciliation process occurs at the end of each water year (October 1 through September 30) or immediately following the Board's determination that Stage II through Stage VI are no longer in effect, whichever is earlier.

In the reconciliation process, under usage in one month is allowed to offset over usage in another month. Thus, an agency which had utilized more than its target in one month and had paid a disincentive charge for that over usage would be eligible for a refund of the disincentive charge to the extent that water usage in other months was less than the target allocation to that agency. Through the annual reconciliations, disincentive charges remain applicable only to the extent that an agency's usage in the entire year exceeded the sum of the agency's monthly targets for that year. Water used from the discretionary pool is excluded from the reconciliation.

The distinction between deliveries made as part of the discretionary pool and the deliveries chargeable against an agency's monthly allocation is that water from the discretionary pool must be stored for later use. Thus, agencies must certify as to the quantities of water stored for later use during periods when discretionary pool water is available in order to process monthly accountings and potential disincentive charges.

Generally, the seasonal storage certification form will be used to certify water taken under the discretionary pool. An agency that has a contractual

agreement with Metropolitan and is required to certify by a different format to avoid any overqualification of seasonal storage or discretionary pool will be governed by the terms of the agreement. Certification procedures are contained in Section 4507 of Metropolitan's Administrative Code.

An agency may choose to designate on the seasonal storage certification form the amount of water stored as shift seasonal storage under the scheduled target quantities and the amount of water stored under the discretionary pool. If an agency does not designate the type of water served, Metropolitan by default will designate the stored water as part of the discretionary pool first and second as part of the shift water. All water delivered that has not been certified otherwise will be charged at the noninterruptible rate. Certifications are due three business days after the end of the working month in order to be processed in that month's invoices.

In-lieu deliveries to storage under the IICP discretionary pool for example require agencies to account and certify that they have made operational changes necessary for such storage. These accounting and certification processes must take place after the deliveries have been made. The lag time between deliveries and certifications

typically is several weeks. Because of this lag it is not possible to immediately determine each agency's performance under the IICP. Thus, a delay in disincentive charges may be required for all agencies. However the annual reconciliation will account for any irregularities.

Example

As an example of how scheduled targets and the discretionary pool are determined, consider a hypothetical agency which utilized 200 acre-feet (AF) in January of the base year and 50 AF of long-term seasonal storage cumulative over the base year. The 200 AF is further broken down to 100 AF of noninterruptible water, 50 acre-feet of agricultural service, and 50 AF of seawater barrier.

In Stage V the agency's scheduled target quantity for January is determined as follows:

100 AF noninterruptible	- 20 percent	=	80 AF
+50 AF agricultural	- 50 percent	=	25 AF
+50 AF seawater barrier	- 50 percent	=	<u>25 AF</u>
equals scheduled January target quantity = 130 AF			

The agency's discretionary pool for the year if at Stage V for the entire period is determined as follows:

50 AF long-term seasonal storage - 50 percent = 25 AF

Therefore, this agency would be allowed to purchase a maximum of 130 AF in January during Stage V under the scheduled target quantities without incurring a disincentive charge. This amount can be increased at the discretion of the General Manager through deliveries made to storage of water in the discretionary pool.

2/25/92

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